

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
GOVERNOR'S PUBLIC BUILDING FOUNDATION, INC.
July 1, 2004 to June 30, 2006



FILED
08/31/2007

TABLE OF CONTENTS

| <u>Description</u> | <u>Page</u> |
|---|-------------|
| Officials | 2 |
| Independent Accountant's Report | 3 |
| Financial Information: | |
| Schedule of Receipts, Disbursements, and Cash and Investment Balances | 4 |
| Notes to Financial Information..... | 5 |
| Examination Comments: | |
| Internal Control | 6 |
| Bank Account Reconciliations | 6 |
| Cash Book | 6 |
| Daily Deposits | 6 |
| Exit Conference | 7 |
| Official Response | 8 |

OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------|---|--|
| Governor | Hon. Joseph E. Kernan Hon. Mitchell E. Daniels, Jr. | 09-13-03 to 01-09-05 01-10-05 to 01-11-09 |
| Secretary Administrator | Charles R. Martindale Danielle Chrysler Jill Burleson | 10-14-03 to 01-09-05 01-10-05 to 08-01-06 08-02-06 to 01-11-09 |



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE GOVERNOR'S PUBLIC BUILDING FOUNDATION, INC.

We have examined the financial information presented herein of the Governor's Public Building Foundation, Inc., for the period of July 1, 2004 to June 30, 2006. The Foundation's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Foundation for the years ended June 30, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

January 8, 2007

GOVERNOR'S PUBLIC BUILDING FOUNDATION, INC.
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
As Of And For The Years Ended June 30, 2005 And 2006

| | <u>2005</u> | <u>2006</u> |
|---------------------------------------|------------------|-------------------|
| Cash and investments, July 1 | \$ 359 | \$ 42,275 |
| Receipts: | | |
| Contributions | 42,172 | 671,523 |
| Proceeds from Fundraisers | - | 15,535 |
| Event Revenue | <u>6,300</u> | <u>2,000</u> |
| Total receipts | <u>48,472</u> | <u>689,058</u> |
| Disbursements: | | |
| Interior Improvements | - | 359,086 |
| Exterior Improvements | - | 107,096 |
| Furniture | - | 92,882 |
| Fundraiser Expenses | - | 17,331 |
| Catering | 4,966 | 11,290 |
| Household Goods and Decorations | 84 | 10,798 |
| Entertainment | 1,251 | 4,980 |
| Miscellaneous | 145 | 4,237 |
| Postage | - | 3,520 |
| Bank Fees | <u>110</u> | <u>111</u> |
| Total disbursements | <u>6,556</u> | <u>611,331</u> |
| Excess of receipts over disbursements | <u>41,916</u> | <u>77,727</u> |
| Cash and investments, June 30 | <u>\$ 42,275</u> | <u>\$ 120,002</u> |

The accompanying notes are an integral part of the schedule.

GOVERNOR'S PUBLIC BUILDING FOUNDATION, INC.
NOTES TO SCHEDULE

Note 1. Introduction

The Governor's Public Building Foundation, Inc., was established by Governor Executive Order 98-23. The Foundation was created to assure expanded and effective operation, maintenance and use of public buildings, sites and structure for the inclusion of greater numbers of Hoosiers in the public life of the State.

Note 2. Fund Accounting

The Foundation uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

Note 4. Subsequent Event

In October and November 2006, the Governor's Public Building Foundation received two payments from Jackson's Auction and Real Estate Company totaling \$61,982 in proceeds from the sale of Governor's Residence goods in the form of an auction held on September 30, 2006.

GOVERNOR'S PUBLIC BUILDING FOUNDATION, INC.
EXAMINATION COMMENTS
JUNE 30, 2006

INTERNAL CONTROL

The accounting functions of the Governor's Public Building Foundation, Inc., are completed by one employee. This is considered an internal control weakness. To mitigate this condition, at a minimum, the ledgers and reconcilements should be reviewed by a responsible official.

Each agency, department, institution or office should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are part of an internal control system. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

BANK ACCOUNT RECONCILIATIONS

Even though the funds are accounted for, depository reconciliations of the fund balances to the bank account balances were not completed in a timely manner.

Each agency, department, institution or office that does not use the state's accounting system or have funds outside the system must maintain appropriate accounting records and controls. This includes performing monthly bank statement reconciliations. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

CASH BOOK

The Governor's Public Building Foundation, Inc. does not maintain a cash book to record funds received.

Indiana Code 5-13-5-1(a) states:

"Every public official who receives or distributes public funds shall:

- (1) keep a cash book into which the public officer shall enter daily, by item, all receipts of public funds; and
- (2) balance the cash book daily to show funds on hand at the close of the day."

DAILY DEPOSITS

The Governor's Public Building Foundation, Inc. did not consistently deposit receipts for the Foundation within the following business day.

Indiana Code 5-13-6-1(b) states in part: "... all public funds ... shall be deposited with the treasurer of state, or an approved depository selected by the treasurer of state not later than the business day following the receipt of the funds."

GOVERNOR'S PUBLIC BUILDING FOUNDATION, INC.
EXIT CONFERENCE

The contents of this report were discussed on January 24, 2007, with K. Philipp Wickizer, Associate Counsel, Office of the Governor; and Jill Burleson, Secretary Administrator. The official response has been made a part of this report and may be found on page 8.



STATE OF INDIANA
OFFICE OF THE GOVERNOR
State House, Second Floor
Indianapolis, Indiana 46204

Mitchell E. Daniels, Jr.
Governor

August 20, 2007

Mr. Bruce A. Hartman, State Examiner
Indiana State Board of Accounts
302 West Washington Street, Room E418
Indianapolis, Indiana 46204

Re: Response to Audit of Governor's Public Building Foundation, Inc.

Dear Mr. Hartman,

The Governor's Public Building Foundation, Inc. agrees with the findings and has now implemented all of the recommended guidelines set forth in the report.

Sincerely,

A handwritten signature in cursive script that reads "Anita K. Samuel".

Anita K. Samuel
Assistant General Counsel
Office of the Governor